

# **City of Midland, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2006**

# City of Midland, Michigan

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## Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-10
Summary Schedule of Prior Audit Findings	11
<b>Supplemental Information Transportation Fund (Dial-A-Ride)</b>	12
Schedule of Operating Revenues	13
Schedule of Operating Expenses	14
Schedule of Nonoperating Revenues	15
Schedule of Computation - Net Eligible Cost of General Operations	16
Schedule of Mileage Data	17
Schedule of Property and Equipment	18
Schedule of Expenditures of State Awards - Michigan Department of Transportation	19



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## Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Midland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Midland, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City of Midland's basic financial statements, and have issued our report thereon dated October 31, 2006. Those basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Midland's basic financial statements. The accompanying schedule of expenditures of federal awards, reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards, and supplemental schedules related to the Transportation Fund are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Except for the schedule of mileage data, the information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the schedule of mileage data which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

October 31, 2006



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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and City Council  
City of Midland, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Midland, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City of Midland's basic financial statements, and have issued our report thereon dated June 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Midland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Midland in a separate letter dated October 31, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Midland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and City Council  
City of Midland, Michigan

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moreau, PLLC*

October 31, 2006



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Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and City Council  
City of Midland, Michigan

**Compliance**

We have audited the compliance of the City of Midland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. The major federal program of the City of Midland, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Midland's management. Our responsibility is to express an opinion on the City of Midland's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Midland's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Midland's compliance with those requirements.

In our opinion, the City of Midland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-1.

To the Honorable Mayor and City Council  
City of Midland, Michigan

## **Internal Control Over Compliance**

The management of the City of Midland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Midland's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Midland, Michigan's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above, item 2006-1, to be a material weakness.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 31, 2006

# City of Midland, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Grantor/Program Title	CFDA Number	Approved Awards Amount	Expenditures
U.S. Department of Housing and Urban Development - Community Development Block Grant:			
B-03-MC-26-0037	14.218	\$ 313,000	\$ 271,911
B-04-MC-26-0037	14.218	286,373	<u>227,897</u>
Total U.S. Department of Housing and Urban Development			499,808
U.S. Department of Transportation - Passed through Michigan Department of Transportation Section 5311 (formerly Section 18) Program Grants:			
2002-0068/Z6/RI - (10/04 - 9/05)	20.509	173,752	42,152
2002-0068/Z9/RI - (10/05 - 9/06)	20.509	228,555	213,947
Section 5309 Capital Grants 2002-0068/Z	20.500	110,072	<u>86,741</u>
National Highway Traffic Safety Administration - Passed through the State of Michigan, Department of State Police (Highway Safety Cluster):			
Police Traffic Services (PT-05-69)	20.600	1,000	1,000
Summer Enforcement (PT-05-63)	20.602	44,760	23,195
Traffic Enforcement Assoc. of Michigan (TEAM) (PT-05-44)	20.600	25,000	<u>13,769</u>
Total U.S. Department of Transportation			380,804
U.S. Department of Justice - Office of Justice Programs - Bullet-proof Vest Program - MI State Police:			
Grant ID #01007301 (2001)	16.607	3,045	3,045
Grant ID #02010991 (2002)	16.607	2,610	2,610
Grant ID #04021594 (2004)	16.607	7,862	3,630
Grant ID #04021594 (2005)	16.607	1,800	<u>-</u>
Total U.S. Department of Justice			9,285
Federal Emergency Management Authority - Fire Operations and Firefighter Safety:			
EMW-2004-FG-08948	97.044	35,188	30,401
EMW-2005-FG-19328	97.044	53,620	<u>46,755</u>
Total Federal Emergency Management Authority			<u>77,156</u>
Total federal awards			<u><b>\$ 967,053</b></u>



## City of Midland, Michigan

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### **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2006**

Federal revenue per financial statements (includes all funds)	\$ 1,061,784
Add program income classified as federal expenditures	67,302
Less state transportation grant included above	(182,274)
Less revenue recognized in the current period on prior year expenditures	(12,564)
Add expenditures in the current period where revenue is deferred in accordance with GASB 33	<u>32,805</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 967,053</b></u>

# City of Midland, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Midland, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 268,686

# City of Midland, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☒ Yes ☐ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

# City of Midland, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference

Number

Finding

2006-I    **Program Name** - Community Development Block Grant, CFDA #14.218

**Pass-through Entity** - None

**Finding Type** - Internal control deficiency and material noncompliance

**Criteria** - The City's participation in the Community Development Block Grant (CDBG) requires the preparation of a five-year consolidated plan ("Consolidated Annual Performance and Evaluation Report" or "CAPER").

**Condition** - The City submitted the CAPER without sufficient review to detect reporting errors. HUD contacted the City with questions regarding various line items within the CAPER. The City subsequently made corrections and resubmitted the CAPER to HUD.

**Questioned Costs** - None

**Context** - The City submitted the CAPER without sufficient review to detect numerous reporting errors. HUD contacted the City with questions regarding various line items within the CAPER. The City subsequently made corrections and resubmitted the CAPER to HUD.

**Cause/Effect** - The CAPER was submitted without the appropriate level of review.

**Recommendations** - In order to maintain adequate internal control, review of the CAPER should be completed by management prior to submission to HUD.

**Grantee Response** - The City concurs with the recommendation above and has agreed to perform a thorough review of the CAPER prior to submission to HUD.

# City of Midland, Michigan

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2006

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2005	2005-01	The City submitted a reimbursement of costs that had not yet been spent.	14.218	\$ 29,541	All drawdown requests are reviewed for allowability of costs prior to submission of the request.
2005	2005-02	The City submitted a reimbursement request and failed to include program income.	14.218	None	All reimbursement requests are reviewed to ensure program income is used to offset federal expenditures prior to submission of the request.

**Supplemental Information  
Transportation Fund (Dial-A-Ride)**

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## City of Midland, Michigan

### Transportation Fund (Dial-A-Ride) Schedule of Operating Revenues Year Ended June 30, 2006

	July 1, 2005 to September 30, 2005	October 1, 2005 to June 30, 2006	Total
Operating revenues:			
Customer fares	\$ 20,875	\$ 93,923	\$ 114,798
Contractual	4,455	18,212	22,667
Total operating revenues	<u>\$ 25,330</u>	<u>\$ 112,135</u>	<u>\$ 137,465</u>

# City of Midland, Michigan

## Transportation Fund (Dial-A-Ride) Schedule of Operating Expenses Year Ended June 30, 2006

	Operations	Maintenance	General and Administration	Total
Labor:				
Operators' salaries and wages	\$ 660,085	\$ -	\$ -	\$ 660,085
Other salaries and wages	-	-	70,696	70,696
Dispatchers' salaries and wages	69,248	-	-	69,248
Fringe benefits	262,286	-	25,241	287,527
Services:				
Advertising fees	-	-	4,427	4,427
Audit fees	-	-	1,600	1,600
Other	-	199,595	126,405	326,000
Materials and supplies consumed:				
Fuel and lubricants	130,806	-	-	130,806
Other	3,531	-	1,240	4,771
Utilities - Telephone	-	-	234	234
Casualty and liability costs -				
Premiums for public liability and property damage insurance	19,923	-	-	19,923
Travel, meetings, and training	306	-	130	436
Leases and rentals	22,696	-	-	22,696
Capital outlay	111,467	-	-	111,467
Total operating expenses	<u>\$ 1,280,348</u>	<u>\$ 199,595</u>	<u>\$ 229,973</u>	<u>\$ 1,709,916</u>



# City of Midland, Michigan

## Transportation Fund (Dial-A-Ride) Schedule of Nonoperating Revenues Year Ended June 30, 2006

	July 1, 2005 to September 30, 2005	October 1, 2005 to June 30, 2006	Total
Federal operating grants:			
U.S. DOT Operating Grant - Section 5311:			
Contract 2002-0068/Z6/RI (10/04 - 9/05)	\$ 42,152	\$ -	\$ 42,152
Contract 2002-0068/Z9/RI (10/05 - 9/06)	-	213,947	213,947
Total U.S. DOT Operating Grant - Section 5311	42,152	213,947	256,099
Section 5309 Capital Grants - Contract 2002-0068/Z5	-	86,741	86,741
Prior grant year audit adjustments	-	-	-
Total federal operating grants (a)	42,152	300,688	342,840
State of Michigan operating grants:			
Local bus operating assistance (Act 51)	130,638	493,987	624,625
Capital grant MI-02-0069/Z7	-	21,685	21,685
RTAP training grant	-	3,171	3,171
Prior grant year audit adjustments	-	40,949	40,949
Total state operating grants	130,638	559,792	690,430
City of Midland General Fund	164,828	448,484	613,312
Other nonoperating income	1,207	(200)	1,007
Total nonoperating revenues	<u>\$ 338,825</u>	<u>\$ 1,308,764</u>	<u>\$ 1,647,589</u>
(a) Federal operating grants as stated	\$ 342,840		
Add prior year expenditures not available within 60 days for last year	12,564		
Less current year expenditures not available within 60 days	(10,253)		
Balance per financial statements	<u>\$ 345,151</u>		

# City of Midland, Michigan

## Transportation Fund (Dial-A-Ride) Schedule of Computation Net Eligible Cost of General Operations Year Ended June 30, 2006

	Federal Section 5311		State Operating Assistance	
	2002-0068/Z6		2002-0068/Z9	
	July 1, 2005	October 1, 2005	July 1, 2005	October 10, 2005
	to	to	to	to
	September 30,	June 30, 2006	September 30,	June 30, 2006
	2005		2005	
Expenses:				
Labor	\$ 159,078	\$ 640,951	\$ 159,078	\$ 640,951
Fringe benefits	63,463	224,064	63,463	224,064
Services	78,772	253,255	78,772	253,255
Materials and supplies	27,599	107,978	27,599	107,978
Utilities	43	191	43	191
Casualty and liability cost	5,283	14,640	5,283	14,640
Travel, meetings, and training	26	410	26	410
Leases and rentals	5,674	17,022	5,674	17,022
Capital outlay	-	111,467	-	111,467
Total eligible expenses	339,938	1,369,978	339,938	1,369,978
Less ineligible expenses -				
Capital outlay	-	111,467	-	111,467
Net eligible expenses	<u>\$ 339,938</u>	<u>\$ 1,258,511</u>	<u>\$ 339,938</u>	<u>\$ 1,258,511</u>
Calculated reimbursement	\$ 42,152	\$ 213,947	\$ 130,638	\$ 493,987
Limited to cap of	42,152	213,947	130,638	493,987
Adjusted grant accrued/received	32,651	213,947	83,826	493,987

# City of Midland, Michigan

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## Transportation Fund (Dial-A-Ride) Schedule of Mileage Data Year Ended June 30, 2006

	Public Transit Mileage
Demand - Response:	
First quarter	113,695
Second quarter	120,753
Third quarter	126,285
Fourth quarter	<u>125,851</u>
Total demand - Response	<u><u>486,584</u></u>

## City of Midland, Michigan

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### **Transportation Fund (Dial-A-Ride) Schedule of Property and Equipment Year Ended June 30, 2006**

Vehicles	\$ 888,542
Office furniture and equipment	17,547
Shelters	15,940
Radio and antennae	<u>32,968</u>
Total property and equipment	954,997
Less accumulated depreciation	<u>(633,938)</u>
Net property and equipment	<u><u>\$ 321,059</u></u>

# City of Midland, Michigan

## **Transportation Fund (Dial-A-Ride)** **Schedule of Expenditures of State Awards** **Michigan Department of Transportation** **Year Ended June 30, 2006**

Program Title	(Accrued) Deferred Revenue July 1, 2005	Current Year			(Accrued) Deferred Revenue June 30, 2006
		Program Expenditures	State Receipts	Adjustments	
Operating assistance:					
2003-04	\$ 10,056	\$ -	\$ -	\$ (1,510)	\$ 8,546
2004-05	(46,370)	130,638	130,417	-	(46,591)
2005-06	-	493,987	428,112	-	(65,875)
Total operating assistance	<u>\$ (36,314)</u>	<u>\$ 624,625</u>	<u>\$ 558,529</u>	<u>\$ (1,510)</u>	<u>\$ (103,920)</u>